

Message Text

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PAGE 01 STATE 307884
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TO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: ETEL, ETRD, SCUL, CA

SUBJECT: CONSIDERATION OF ACTIONS TO INHIBIT U.S.
ENTERTAINMENT MEDIA IN CANADA

REF: OTTAWA 10063

1. WASHINGTON SHARES EMBASSY'S CONCERN REGARDING THE
CANADIAN PROPOSAL TO IMPOSE AN EXCISE TAX ON DISTRIBUTION
OF FOREIGN FILMS IN CANADA. IN RECENT CONVERSATION WITH
EUR/CAN OFFICER, RANKING CANADIAN EMBASSY OFFICIAL
INDICATED INFORMALLY HIS VIEW THAT GOC WAS VERY UNLIKELY
TO IMPLEMENT PROPOSED TAX. WE NONETHELESS BELIEVE A
LOW-KEY DEMARCHE EMPHASIZING OUR CONCERN OVER THE TRADE
RESTRICTIVE ASPECTS OF THE PROPOSED MEASURE IS WARRANTED.

2. DEMARCHE SHOULD INCLUDE THE FOLLOWING POINTS: (A) US
CONCERN THAT NEW TRADE RESTRICTIVE MEASURES NOT BE
IMPLEMENTED DURING MOVEMENT TOWARD GREATER LIBERALIZATION
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OF WORLD TRADE THROUGH THE MTN. THE US IS MAKING EVERY
EFFORT TO BE RESPONSIVE TO CANADIAN REQUESTS IN THE MTN
AND WE ANTICIPATE A MUTUALLY SATISFACTORY PACKAGE. (B)
THE PROPOSAL IS INCONSISTENT WITH ARTICLE 3, PARA. 2 OF
THE GATT. BEGIN FYI. IMPOSITION OF THE TAX MEASURE COULD

LEAD THE US (CANADA'S PRINCIPAL SUPPLIER OF FILMS) TO

REQUEST FORMAL CONSULTATIONS IN THE GATT AND POSSIBLY TO
SEEK THE ESTABLISHMENT OF A GATT PANEL TO REVIEW THE
MEASURE. END FYI. (C) WE UNDERSTAND AMERICAN FILM
MAKERS AND DISTRIBUTORS ARE WILLING TO DISCUSS WAYS OF
INCREASING THE DISTRIBUTION OF CANADIAN FILMS IN THE US
WHICH COULD INCREASE REVENUES FOR THE CANADIAN FILM
INDUSTRY. (D) IF CANADA INTENDS TO PURSUE POTENTIALLY
RESTRICTIVE MEASURES ON FOREIGN FILM AND TELEVISION
IMPORTS, WE WOULD HOPE TO HAVE AN OPPORTUNITY FOR
CONSULTATION BEFORE ANY CONCLUSIVE DECISIONS ARE TAKEN.

3. FYI: IN OUR JUDGMENT, US FILM PRODUCERS WOULD MORE
LIKELY SEEK REDRESS UNDER SECTION 301 OF THE TRADE ACT
(UNFAIR TRADE PRACTICES) THAN UNDER THE COUNTERVAILING-
DUTY STATUTE, BUT NEITHER ACTION SEEMS PROBABLE. END
FYI. VANCE

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